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SUBJECT: KAZAKHSTAN OFFICIALS MEET WITH EEB A/S DAVID NELSON ON BANK-FUND MARGINS

1. (SBU) Summary. On the margins of the World Bank/IMF conference this past weekend, Acting EEB A/S David Nelson met with visiting Kazakhstani officials on Sunday, April 26 to discuss Kazakhstan's economy in the wake of the global financial crisis and Kazakhstan's engagement in Afghanistan. Participants included: Deputy Minister of Economy and Budget Planning, Timur Suleimenov; Deputy Minister of Finance, Alikhan Smailov; Ambassador Erlan Idrissov; Anuar Kurzhikayev, 3rd Secretary, Embassy of Kazakhstan; State EEB/IFD/OMA Briana Saunders. End summary.

Kazakhstan Coping with Challenging Times

¶2. (SBU) Deputy Minister Smailov gave a mild assessment of Kazakhstan's economic situation and how the country was coping with the global economic crisis. He noted that GDP growth had fallen from an annual average of 9 percent over the past several years to 3.2 percent in 2008 with the onset of the crisis. He expected growth to reach only one percent this year, which is due in whole to the "anti-crisis" program the government implemented last fall. Smailov noted the hardest hit sectors have been banking, construction and commodity exports. Ambassador Idrissov highlighted that, while the economy is taking a hard hit, it was an affirmation that Kazakhstan is indeed part of the global economy and that the crisis presents an opportunity to improve the country's vulnerable sectors.

¶3. (SBU) Smailov said the Government of Kazakhstan last fall began an "anti-crisis" program to address the financial sector, real estate, small- and medium-sized enterprises, agriculture, and infrastructure and industrial projects. The Government has allocated \$15 billion, or 17 percent of GDP, for the program, \$10 billion of which comes from the National Oil Fund (currently \$24 billion). In addition, the government devalued the tenge earlier this year. The government is also basing the national budget on a price of \$40 per barrel (Brent price) and any revenues beyond that price will go directly into the National Oil Fund. Total reserves, including the oil fund, now stand at \$42 billion (for a population of 16 million people). Smailov said that their healthy reserve position prevents Kazakhstan from needing external assistance from the IMF.

Kazakhstan's Engagement with Afghanistan

¶4. (SBU) Acting A/S David Nelson asked officials about Kazakhstan's economic engagement with Afghanistan, and what their future plans are. The officials noted that Kazakhstan is a major provider of grain for the Afghans, as it is among the top five grain exporters in the world. Ambassador

Idrissov said Afghanistan was "high on the agenda" of Kazakhstan, and that a new action plan until 2011 will focus on water infrastructure. In addition, the Government of Kazakhstan will support TIFA, private sector involvement in Afghanistan, and training to address the long-term goal of improving education. The Ambassador confirmed that Kazakhstan is ready to partner, both in the public and private sectors, with the United States and other donor countries.

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